

16 February 1979

MEMORANDUM

SUBJECT: Implications of Iran for Middle East Peace
Negotiations [REDACTED] 25X1

The collapse of the Shah's regime and the current uncertain situation in Iran have, along with a host of other factors, caused Israel and Egypt to strike more rigid positions on key unresolved issues in peace negotiations. Although the upheaval in Iran has directly affected only one issue--Israel's desire to secure oil supplies from Egyptian fields in the Sinai--it has caused both sides to reconsider their approaches to negotiations in light of broader concerns, which include:

- The diminution of US influence in the region;
- The inspiration that religious revolutionaries in Iran have given right and left-wing extremists elsewhere; and
- The consequent potential for a wider spread of instability in the area.

We do not believe these concerns have eroded either side's fundamental commitment to continuing the peace effort. Nevertheless, both countries have been shaken by the fall of the Shah, and seem more determined than ever to protect their own equities and less inclined toward the kind of flexibility necessary to hasten the conclusion of a treaty. [REDACTED] 25X1

Concern over US losses in Iran and the perception that Washington was either unable or unwilling to act in ways to protect its interests there seems to be at the heart of Egypt's greater caution and to have reinforced longstanding Israeli suspicions about the value of great power security commitments. President Sadat's decision to embark on a high-risk pursuit of a peace settlement was based on a calculation of US power in the region and a belief that the US would be able and willing to use those strengths to engineer a comprehensive settlement and stand as its guarantor. Israel, although much less inclined

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to depend on the benefits of superpower guarantees, nevertheless has integrated its special relationship with the US into the basic assumptions underlying its peace moves. Although both sides have expressed some appreciation of our difficulties in dealing with rapidly unfolding events in Iran, confidence in US power and reliability has clearly been shaken. [] 25X1

We have detected an attitude emerging in Israel and Egypt of stricter self-reliance which contains the seeds of an uncertainty as to whether a treaty can be concluded which could withstand new shifts in the power balance and political currents in the region. [] 25X1

The tide of Islamic fervor in Iran, the Ayatollah Khomeini's explicit endorsement of the Palestinians, and the collapse of the de facto security system in the Persian Gulf region have added significant pressure on President Sadat to demand from Israel a more explicit commitment to a comprehensive settlement and respect for Egypt's sovereignty and pan-Arab obligations. Even before the crisis in Iran, the Egyptians were deeply disturbed by the force of Arab rejection of their independent dealings with Israel and particularly by Saudi Arabia's endorsement of the anti-Egyptian resolutions of the Baghdad summit. Now the Egyptians face:

- 25X6 --A coalition of Arabs spearheaded by Syria and Iraq, which has added reason in the wake of events in Iran to maintain an alliance.
- 25X6 --A Saudi leadership [] seemingly less willing to risk taking positions unacceptable to the Palestinians and other Arabs.
- An emboldened Palestinian movement which is exploiting its relationship with Iranian revolutionaries in order to enhance its image as a force to be reckoned with.
- 25X1 --Early signs of greater assertiveness among Egypt's own Muslim conservatives on such sensitive issues as Egypt's relations with the US, Israel's designs on Arab territory, and inequities [] in Egypt's political and social system. (S/NF)

Sadat has countered these pressures with the argument that regional stability depends now more than ever on a just Middle East peace settlement. Implicit in this argument, however, is

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a notice to the US and Israel that a stable peace must include greater satisfaction of Arab demands and greater assistance to Egypt and other moderate Arab governments.

Israeli perceptions of the Iranian crisis seem to have reinforced their determination to nail down specific language and commitments ensuring that a peace treaty with Egypt outlives President Sadat and minimizes as much as possible the need for US security guarantees. The Israelis have not substantively changed their negotiating positions, but they have in recent months dug in their heels, further over a number of issues they consider vital, including:

- Guaranteed access to quantities of Egyptian oil equal to those Israel currently obtains from its operations in the Gulf of Suez;
- US commitments to provide generous financial assistance and advisory support to facilitate Israeli military relocation from the Sinai to the Negev;
- Ironclad language in the treaty minimizing if not neutralizing Egypt's options to intervene on the Arab side in future Arab-Israeli conflicts. 25X1

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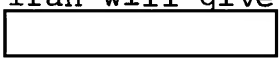
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SUBJECT: Implications of Iran for Iraq  25X1

Overview

The upheaval in Iran and the emergence of the Ayatollah Khomeini as the country's de facto leader has triggered considerable anxiety among the leaders of Iraq. Baghdad's concern focuses on three areas:

- Apprehension that Shia activism will spread to Iraq, home of the second largest concentration of Shias in Islam;
- Worry that the new Iranian Government will seek to revive the Kurdish insurgency and border disputes;
- Fear that unsettled conditions in Iran will give the Soviets an opportunity to meddle.  25X1

On the positive side, from the Iraqi vantage point, Iran's troubles create an opening for Iraq to expand its influence in the Persian Gulf. Baghdad is also pleased by the new Tehran government's anti-Israeli outlook and its hawkish view on oil prices.  25X1

After some initial hesitation, the Iraqis on 13 February sent a message of friendship to the Bazargan government. The message expressed Baghdad's "special view" of Iran and hoped that the common Islamic ties between the two countries will become a factor in strengthening bilateral realtions. The Iraqis also stressed their "great satisfaction" with Khomeini's stand on the Iranian popular movement's independence from foreign domination.  25X1

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Shias

Relations between Iraq's Shia Muslim majority and the secular Baathist government, which is dominated by Sunni Arabs, are currently manageable, but the potential for trouble is present. Sunni Muslims have traditionally ruled Iraq with minimum participation from the Shia community. We do not have sufficient information to judge how Iraqi Shias view the activities of their Iranian coreligionists. Local Shias, however, are well positioned to cause trouble for the Iraqi regime if they view the Iranian revolution as a model. Shia Muslims make up the bulk of the work force in key southern oil and port facilities as well as the lower military and police ranks [] 25X1

The government and the Baath Party have made an effort to include Shias in their activities at all levels, although Sunnis still dominate the top leadership. The government has also provided generous financial support for Shia religious activities, and instituted housing, health, and educational programs that directly benefit underprivileged Shias. [] 25X1

When patronage fails, the government has not shirked from suppression. As recently as early 1977, the military was used to put down religious rioting in the Shia holy cities of Najaf and Kerbala. This violent episode apparently had a sobering effect on both sides, and Shia religious commemorations have since passed quietly. [] 25X1

Kurds

Iraqi Kurds--with or without outside aid--would be tempted to take advantage of any Baghdad preoccupation with the predominantly Shia southern half of the country to renew the Kurdish rebellion in northeastern Iraq. The rapprochement with Iran that began in 1975 ended Iranian support for Iraqi Kurdish rebels. Baghdad will early on seek reassurances from the new Iranian Islamic Republic that it intends to honor the agreements that ended the Kurdish threat to Iraqi national unity. [] 25X1

Communists

Iraqi Communists have not escaped the sting of the Iranian backlash. The security-minded Baathist leadership appears to see Moscow's hand in recent political changes in Afghanistan,

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South Yemen, and Iran. This perception has given impetus to a harsh anti-Communist campaign intended to minimize Communist opportunities to exploit Shia grievances, as they were suspected of doing during the religious violence in 1977. []

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External Considerations [] 25X1

Syria

Events in Iran have contributed to Iraq's existing policy of rapprochement with its old enemy, Syria. Uncertainty to the east has advanced Iraq's desire to eliminate a hostile presence on its western flank, and Iraq, for the first time, seems willing to tolerate Syria's implicit acceptance of Israel's right to exist as a state. Conventional wisdom and the historical record raise formidable questions about the longevity of their cooperation, but so long as the prospect of a separate Egyptian peace remains alive, rapprochement is likely to continue, and perhaps even produce significant military cooperation on Israel's eastern front. []

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Persian Gulf

Iraq will attempt to fill at least part of the power vacuum in the Persian Gulf resulting from Iran's preoccupation with domestic affairs, building on the more cordial relations Baghdad has established in recent years with Gulf Arabs. Cooperation so far has been confined to non-controversial socio-economic areas, but in the future Iraq might see gain in pushing for wider cooperation on security affairs and on sensitive political issues. Gulf Arabs will no doubt remain suspicious of Iraq. Nevertheless, the decline of Iran's power automatically boosts the influence of Iraq, and Baghdad now must be approached with a new respect by its smaller neighbors. The smaller Gulf states may not be content to rely solely on the Saudis and will want to hedge a bit by adopting a more friendly attitude toward Iraq.

US-USSR

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Baghdad^A believes the best way to check Soviet influence in the Gulf is through the development of Arab solidarity, a perception the Iraqis hope will spread as a result of anxieties over Iran. The Iraqi line will most likely emphasize Arab cooperation as the only way to remain free from foreign domination. []

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As much as Baghdad perceives the Soviets to threaten Arab independence, it has even stronger negative feelings about any US moves to counter the Soviets that would require increasing US involvement in the area. Iraq believes any US action would simply provide the Soviets with a further excuse for meddling. Iraqi criticism of the recent visits of Secretary Brown and US F-15 aircraft are indicative of this outlook.

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